

Qualified School Construction Bonds (Under ARRA 2009)

QSCB Financing for School Facilities

The ARRA created the **Qualified School Construction Bonds** (QSCBs) under IRC §54F with \$11 billion in authorization nationally in each of years 2009 and 2010. The bonds are interest free "qualified tax credit bonds" under IRC §54A(d)(1). The bonds must meet §54A(d) requirements concerning bond proceeds, reporting, arbitrage, maturity limits, and prohibitions against financial conflicts of interest.

House Bill 3148 (R. 96) of 2009 created S.C. Code §59-3-100, which authorizes the State Superintendent to allocate the bond authorization among school districts.

2010 Qualified School Construction Bonds

Type	District	Authorization Cap
60% or \$77,673,600 for 2010	Districts with the lowest assessed property values per pupil.	\$20 million
40% or \$51,782,400 for 2010	Districts with ability to expeditiously issue bonds demonstrated through a high credit rating and timely start and completion of a project.	\$10 million
Large LEAs	Greenville and Charleston have allocations as two of the nation's largest local education agencies. Those school districts may reallocate their authorization to the State, at which time the Superintendent may allocate the authorization to other districts according to the §59-3-100 formula.	See table below

South Carolina's Authorization Levels

2010	QSCB (2010)	QSCB (2009)
State (net)	\$129,456,000	\$131,364,000
Charleston	\$15,076,000	\$13,517,000
Greenville	\$14,302,000	\$15,060,000

60% based on Capital Financing Resources: \$77.6 million

- "Capital financing resources" under §59-3-100 is "measured in terms of assessed value per pupil." Under that section, "assessed value" means "the assessed value of all taxable property, excluding property subject to a fee in lieu of tax."
- The "per pupil measurement" uses the 135-day "count for the most recently completed fiscal year.
- The most recent assessed value figures available through the S.C. Department of Revenue are the 12/31/06 figures. The 135-day count for SY 08-09 is complete. Based upon these figures, the priorities for the 60% allocations are listed below. Any district with questions or concerns about these figures and calculations may contact **Mellanie Jinnette**.

Qualified School Construction Bond Uses

All of the proceeds of a QSCB issue must be used for -

- Construction, rehabilitation, or repair of a public school facility.
- Acquisition of land on which such a public school facility is to be built with QSCB proceeds.

IRS guidance indicates that eligible expenditures include expenditures for costs of acquisition of equipment to be used in the portions of the public school facility being constructed, rehabilitated, or repaired with the QSCB proceeds.

Section 1604 of the ARRA prohibits using funds for a:

- Zoo
- Aquarium
- Golf course
- Swimming pool
- Casino
- Gambling establishment

Pursuant to S.C. Code §59-3-100(A)(2), the proceeds of a QSCB may not be used for purposes prohibited in ARRA §14003(b). These include the following (including some that would also not be authorized by the QSCB section of the ARRA):

- Maintenance costs.
- Stadiums.
- Facilities primarily used for athletic contests or exhibitions or other events for which admission is charged to the general public.

- Purchase or upgrade of vehicles.
- Improvements to standalone facilities whose purpose is not education of children, including central office administration or operations or logistics support facilities.